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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE ACTIVITY

During the month of August our national real estate activity index made its best gain in more than a year. The index now stands at 20.1 points above the long-range computed normal, up 3.6 from its July level of 16.5, and 6.5 points above its level at the end of 1953.

Seventy percent of all of the cities making up our index have participated in the 1954 rise, 8% have shown no change, and 22% have had a drop in activity.

Some of the increases in activity have been rather substantial, and 10 cities have recorded a gain of at least 20% over their December 1953 level.

They are:

Salt Lake City, Utah . . .	+128%	Tacoma, Wash.	+31%
Montgomery, Ala. . . .	+53	Fort Wayne, Ind.	+27
Birmingham, Ala. . . .	+37	Denver, Colo.	+22
Tucson, Ariz.	+33	Memphis, Tenn.	+20
Houston, Tex.	+32	St. Paul, Minn.	+20

Salt Lake City, Montgomery, and Birmingham began their rises from very low levels. Nevertheless, their increased activity is still impressive.

The cities with the biggest drops in activity during 1954 are Allentown, -38%; Terre Haute, -20%; and Toledo and Cincinnati, -10% each.

The level of activity ranges from 32 transfers per 10,000 families in Jersey City to 245 transfers per 10,000 families in Tucson. The lowest activity is found in Jersey City, Philadelphia, Washington, D. C., and Waterbury, while the highest is found in Tucson, Flint, Oklahoma City, and Seattle.

The table on the following page shows our estimates of the total number of real estate sales in nonfarm areas of the United States from 1945 through the first 6 months of 1954. These figures are revisions of those published in our January Forecast Issue - "As I See Real Estate in 1954."

Year	Number of Nonfarm Transfers	Number of New Nonfarm Dwelling Units	New Dwelling Units as % of Transfers
1945	3,767,900	209,300	5.6
1946	5,061,700	670,500	13.2
1947	4,246,900	849,000	20.0
1948	3,959,600	931,600	23.5
1949	3,577,600	1,025,100	28.7
1950	4,481,200	1,396,000	31.2
1951	4,192,200	1,091,300	26.0
1952	4,280,300	1,127,000	26.3
1953	4,432,400	1,103,800	24.9
1954*	2,195,000	571,500	26.0

*First 6 months.

The last half of 1954 is certain to show an increase over the first half, and a good guess for the year's total volume would be around 4,460,000 transfers. The other columns in this table show the number of nonfarm dwelling units started and the percentage of all sales represented by new units. The percentage figures somewhat understate the relationship that new home sales bear to total home sales. This is because total nonfarm transfers include industrial and commercial properties and a number of vacant lots. Studies we have recently made indicate that insofar as residential sales are concerned, about 33% of them represent new construction at the present time.

The new stimulus provided by the 1954 housing bill should certainly last well into the spring of 1955, and real estate and construction activity should move along at a brisk pace for at least that long.

REAL ESTATE MORTGAGE ACTIVITY

Mortgage activity has reached its postwar high. In August our national index rose to 218.3. This was almost 5 points higher than the previous postwar high of 213.8 reached in September 1950, the month before Regulation X was imposed. There is an excellent chance that this present record will be surpassed before the end of the year, and that 1954 will go down as the biggest and best year in the history of the industry. *

A thumbnail review of major mortgage factors reads as follows: money supply - adequate to abundant; interest rate - drifting downward; secondary market on FHA-VA - improving with some issues at or slightly above par. If this continues, look for reduction in FHA-VA interest rates. Our average interest rate table appears on the following page.

*For additional discussion on this point see "Record Year for Mortgage Lending," Real Estate Analyst Mortgage Bulletin, September 27, 1954. Volume XXIII, Number 41.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES IN 11 MAJOR CITIES OF THE UNITED STATES

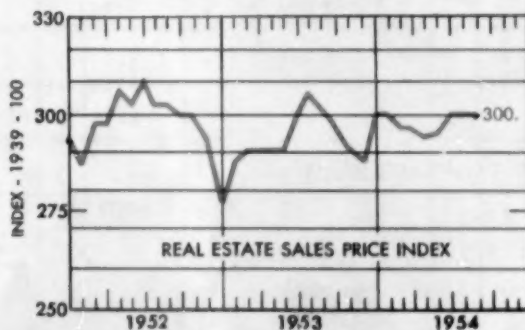
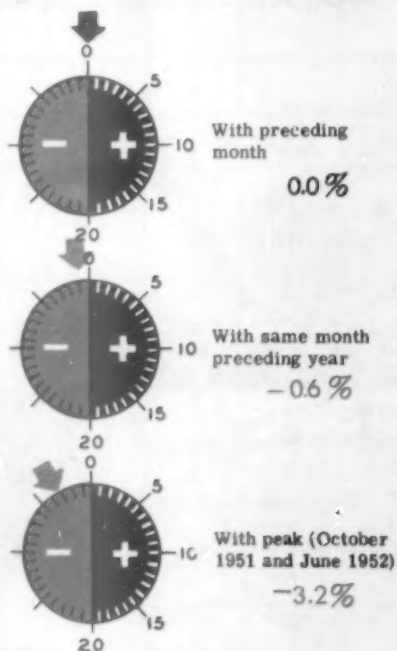
March 1952	4.998%
March 1953	5.007
January 1954	5.187
February 1954	5.240
March 1954	5.197
April 1954	5.173
May 1954	5.151
June 1954	5.114
July 1954	5.089
August 1954	5.086

REAL ESTATE SALES PRICES

Sales prices of single-family homes continue to show marked stability. For the third straight month our index has shown a reading of 300. The table below shows you that since January there has been relatively little change in this index. The biggest single effect of the new housing act on existing homes should be a strengthening of the market, with some upturn in prices. It will be interesting to see what happens to our index in the next few months, but it would not be surprising to see it run counter to its usual seasonal downturn.

(cont. on page 388)

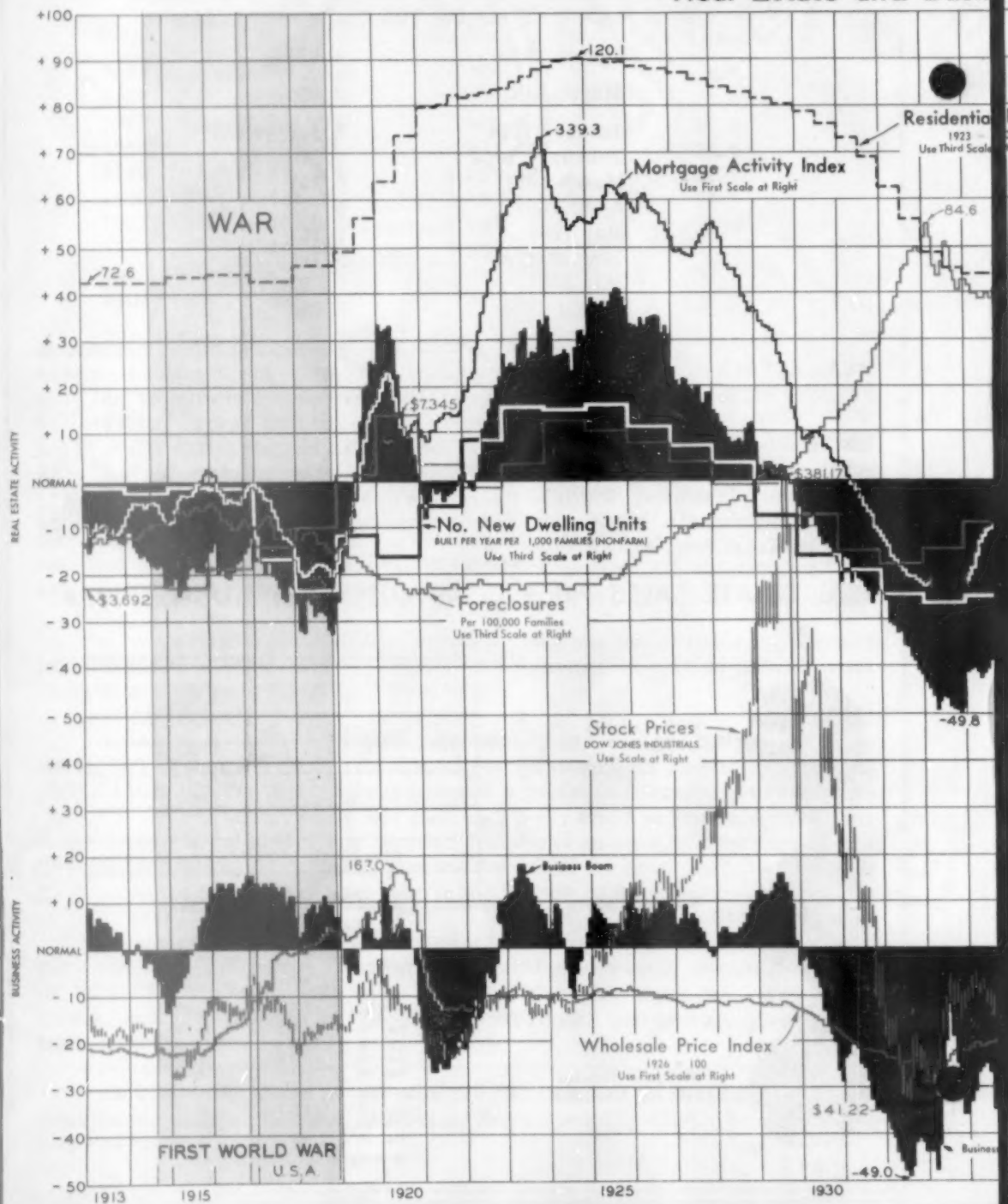
REAL ESTATE SALES PRICE COMPARISON IN AUGUST 1954



Date	Selling price index	Probable selling price of a house that sold for \$5,000 in 1939
1939	100.0	\$ 5,000
Jan. '53	287.0	14,350
Apr. '53	290.0	14,500
June '53	300.0	15,000
Aug. '53	301.4	15,080
Jan. '54	300.0	15,000
Apr. '54	293.0	14,650
June '54	300.0	15,000
Aug. '54	300.0*	15,000*

*Preliminary.

Real Estate and Business



Business Activity Indicators



(cont. from page 385)

RESIDENTIAL CONSTRUCTION VOLUME

Home building in August of this year ran up to 111,000 starts, or 19% above August 1953. Through the first 8 months of this year, new building reached 796,000 starts, or more than 3% ahead of the same period in 1953. By the end of the year it would not be surprising to find 1954 home building volume 5% ahead of last year's total of 1,103,800. This would bring this year's record to 1,150,000 starts, and make it the second highest year in history.

FARM LAND VALUES

In the year ending July 1954, the average value per acre of all farm land in the United States dropped 4%. This followed a drop of 3.75% in the year ending July 1953. Thus there has been a decline of almost 8% in farm land values in the last 2 years, and signs are that it is still going on.

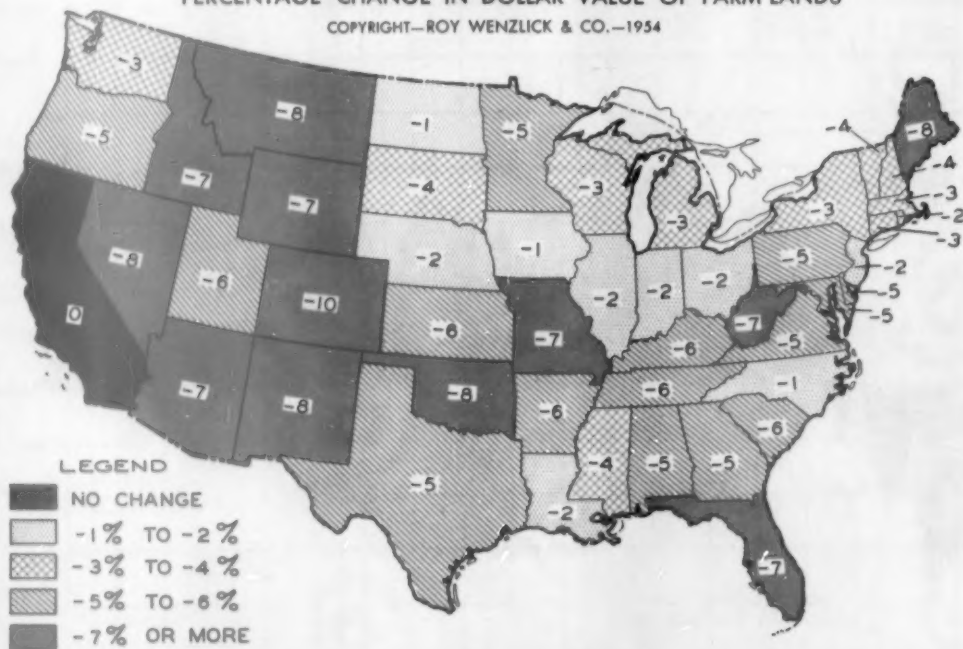
The map below will show how widespread this recent drop has been. In the July 1953-July 1954 period there was only one State where farm land values did not decline. This was California, which managed to get through the year with no change.

The hardest hit group of States was the Rocky Mountain region, where drought and tumbling cattle prices took a serious toll. The 10% drop in Colorado land values adds up to a total decline of 19% from the July 1952 peak. Other 2-year declines total 17% in New Mexico, 16% in Idaho, and 15% in Texas.

(cont. on page 390)

PERCENTAGE CHANGE IN DOLLAR VALUE OF FARM LANDS

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INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
September 1954



COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet
8,075 square feet

Cost 1939: \$19,474

(16.8¢ per cubic foot; \$2.41 per square foot)

Cost today: \$52,570

(45.4¢ per cubic foot; \$6.51 per square foot)

INCREASE OVER 1939 = 169.9%



18-FAMILY BRICK APARTMENT (FRAME INTERIOR)*

Content: 168,385 cubic feet
13,260 square feet

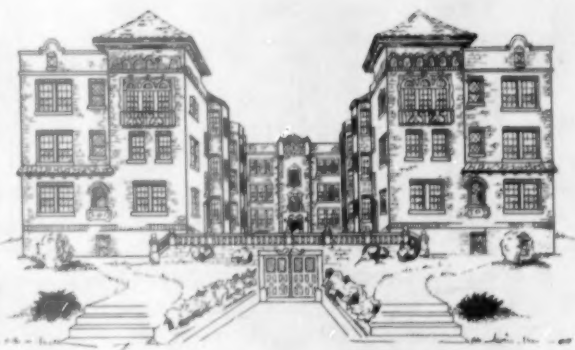
Cost 1939: \$ 60,300

(35.8¢ per cubic foot; \$ 4.55 per sq. ft.)

Cost today: \$164,310

(97.6¢ per cubic foot; \$12.39 per sq. ft.)

INCREASE OVER 1939 = 170.4%



30-UNIT REINFORCED CONCRETE APARTMENT*

Content: 303,534 cubic feet
21,372 square feet

Cost 1939: \$135,000

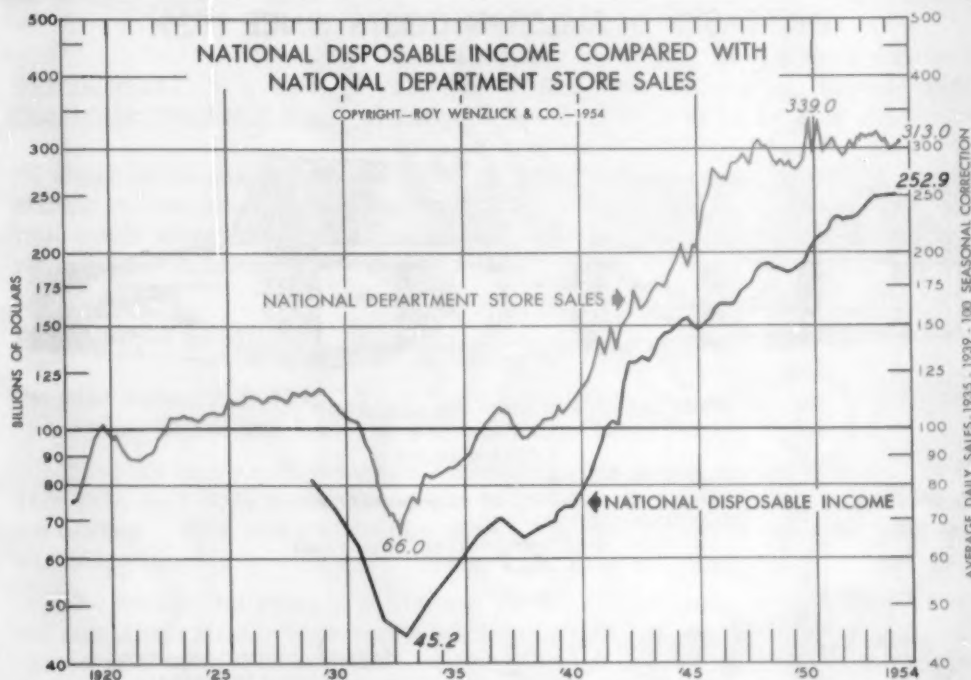
(44.5¢ per cubic foot; \$ 6.33 per sq. ft.)

Cost today: \$349,972

(\$1.15 per cubic foot; \$16.38 per sq. ft.)

INCREASE OVER 1939 = 159.2%

*Costs include full basement.



(cont. from page 388)

NATIONAL DEPARTMENT STORE SALES AND DISPOSABLE INCOME

The chart above shows the remarkably close correlation between national department store sales and national disposable income. During the past year this correlation has been even closer than usual, with a 1.24% rise in income resulting in a 1.20% rise in department store sales.

There has never been a protracted downturn in department store sales while disposable income was stable or rising. Since income is expected to hold up well into the foreseeable future, we can anticipate no serious downturn in department store sales.

It is well recognized that department store sales are an excellent indicator of the course general retailing follows. Therefore, general retailing seems to be on reasonably sure ground, although some of the abundantly supplied lines may experience some difficulty. However, marginally located stores, especially those along string streets or ribbon developments, can expect increasing trouble. Many of them have been in trouble for some time, and the rapid growth in suburban shopping centers will pyramid their difficulties. The rapid increase in the number of shopping centers can bring about a relatively high mortality in this new type of retail outlet. Nevertheless, it will generally be true that the older, marginal retail locations will be hurt first.